

QUARTERLY SHAREHOLDER LETTER

SECOND QUARTER 2012

To Our Shareholders,



It is a pleasure to report another quarter of strong operating performance. We hit the million dollar mark for net income this quarter, an event that last transpired exactly three years ago.

Our commercial loans grew nearly \$12 million this past quarter, despite tough underwriting standards that have maintained asset quality near the top of our peer group. In addition, our mortgage bankers originated approximately \$80 million of residential real estate loans this past quarter, nearly all of which was sold. These two product lines -- commercial real estate loans that we retain and residential mortgages that we originate for sale but continue to service -- account for much of our 6% core revenue growth this past year.

Our data services subsidiary, RDSI, continues to advance. Our banking clients are beginning to extend out their renewal contracts and expand their relationships, a strong signal that clients are recognizing our efforts to stabilize RDSI, and that they have faith in its future.

We opened a second loan production office in Columbus this past quarter to provide an additional base for our commercial and mortgage bankers. The demand is there, and now we have more lenders to respond effectively to these opportunities.

It is gratifying to see our progress reflected by growth in shareholder value. We continue to search for additional opportunities to grow and become more efficient.

Mark A. Klein
President and Chief Executive Officer

Recent Highlights

For the quarter ended June 30, 2012, Rurban reported net income of \$1.0 million, or \$0.21 per diluted share, compared to net income of \$0.78 million, or \$0.16 per diluted share, for the 2011 second quarter.

- Profitability continues to improve; the second quarter ROA was 63 basis points (bps) compared to 45 bps for the last 12 months.
- Fee income has benefited from sustained activity in the mortgage market; year-to-date, mortgage banking contributed 40% of noninterest income compared to 14% for the 2011 period.
- Quarterly operating expense has stabilized at \$6.87 million, or 4.27% of average assets, down 33 bps from the 2011 quarter, primarily from a 10% staff reduction.
- Year over year, nonperforming assets declined by \$2.6 million, or 23%, to \$8.86 million, or 1.40% of total assets. Reserve coverage of nonperforming loans at quarter-end was 93% compared to 69% at June 30, 2011.
- On a consolidated level, Rurban's tangible leverage improved by 83 bps from the 2011 second quarter, to 5.21%; it still remains a focus of management attention.

Company Profile

Headquartered in Defiance, Ohio, Rurban Financial Corp. is a financial services holding company with two wholly-owned operating subsidiaries: The State Bank and Trust Company (State Bank) and RDSI Banking Systems (RDSI). State Bank operates through 18 banking centers in seven Northwestern Ohio counties, and one center in Fort Wayne, Indiana; two loan production offices in Columbus, Ohio and one office in Angola, Indiana. The Bank offers a full range of financial services for consumers and small businesses, including wealth management, mortgage banking, and commercial and agricultural lending. RDSI provides item processing services to community banks located in the Midwest.

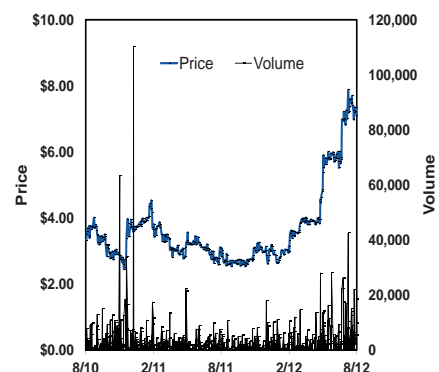


STOCK PERFORMANCE

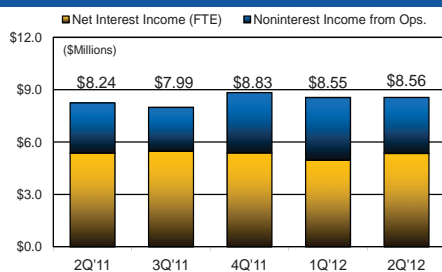
As of 08/01/2012

Price:	\$7.12
52-Week High:	\$8.02
52-Week Low:	\$2.35
Avg. Daily Volume (3 mos.):	8,187
Shares Outstanding:	4,861,779
Market Cap:	\$34.6 MM
Dividend Yield:	0.00%
Price/Tangible Book:	108.0%
Price / LTM Core EPS*:	8.78x
Institutional Ownership:	4.43%
Insider Ownership:	17.11%

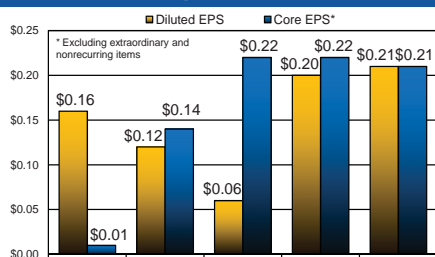
* Excluding extraordinary and nonrecurring items



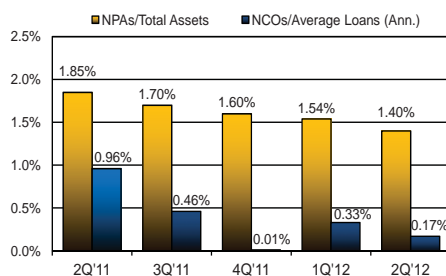
Total Revenue



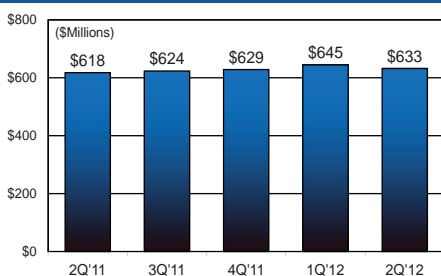
Earnings Per Share



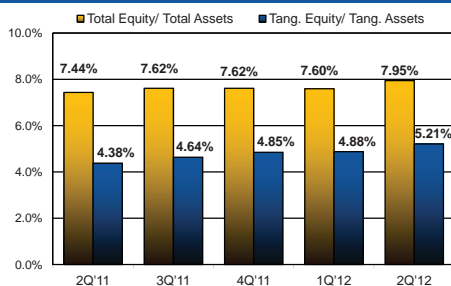
Asset Quality



Total Assets



Equity to Asset Ratio



Contact Information:

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SELECTED FINANCIAL DATA

(\$000s except per share data)

Financial Condition	Three Months Ended Jun. 30,		Fiscal Year Ended Dec. 31,		
	2012	2011	2011	2010	2009
Assets	\$632,531	\$618,061	\$628,664	\$660,288	\$673,049
Loans, Net of unearned	452,110	437,551	442,554	427,544	452,558
Deposits	518,661	495,870	518,765	515,678	491,242
Equity	50,274	46,014	47,932	46,024	61,708
Operating Results					
Net Interest Income*	\$5,356	\$5,376	\$21,254	\$20,583	\$21,593
Prov. For Loan Losses	200	898	1,994	10,588	5,738
Non-Interest Income from Ops.**	3,208	2,707	11,800	20,494	28,447
Non-Interest Expense from Ops.**	6,871	7,315	27,966	40,172	43,566
Net Income	1,014	777	1,664	(15,613)	382
Per Share Data					
Basic & Dil. Earnings per Share	\$0.21	\$0.16	\$0.34	(\$3.21)	\$0.07
Core Earnings per Share**	\$0.21	(\$0.02)	\$0.29	(\$0.79)	\$0.22
Dividends per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.36
Book Value per Share	\$10.34	\$9.46	\$9.86	\$9.47	\$12.69
Tang. Book Value per Share	\$6.59	\$5.39	\$6.20	\$5.49	\$6.57
Selected Ratios					
ROATCE	14.35%	13.56%	10.19%	(25.98%)	2.88%
ROAA	0.63%	0.48%	0.26%	(2.32%)	0.06%
NIM*	3.81%	3.83%	3.81%	3.67%	3.79%
Efficiency Ratio*	77.66%	86.30%	82.38%	79.38%	85.14%
Noninterest Inc./Op. Revenue	37.46%	33.49%	35.70%	49.89%	56.85%
Tang. Equity/Tang. Assets	5.21%	4.38%	4.85%	4.01%	4.96%
NPAs/Assets	1.40%	1.85%	1.60%	2.26%	3.27%
NCO/Avg. Loans (Annualized)	0.17%	0.96%	0.49%	2.55%	0.85%

*Fully Tax-Equivalent ("FTE")

**Excluding extraordinary and nonrecurring items

MARKET MAKERS

The following firms currently make a market in the stock of Rurban Financial Corp. traded on the Nasdaq under the symbol RBNF.

Firm	Web Site	Phone
Robert W. Baird & Co., Inc.	www.rwbaird.com	(414) 765-3500
Sweney Cartwright & Co.	www.swencart.com	(614) 228-5391

Forward-Looking Statements

This document contains comments or information that constitute forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Actual results may differ materially from the results expressed in forward-looking statements. Factors that might cause such a difference include changes in interest rates and interest rate relationships; demand for products and services; the degree of competition by traditional and non-traditional competitors; changes in banking regulations; changes in tax laws; changes in prices, levies and assessments; the impact of technological advances; governmental and regulatory policy changes; the outcomes of contingencies; trends in customer behavior as well as their ability to repay loans; changes in the national and local economy; other factors, including risk factors, referred to from time to time in filings made by Rurban Financial Corp. with the Securities and Exchange Commission. Rurban undertakes no obligation to update, or clarify forward-looking statements, whether as a result of new information, future events, or otherwise. The information contained herein has been furnished by the company to which it relates and for which Margolin & Associates, Inc. serves as investor relations advisor and from which it receives compensation for services on a continuing basis. The amount of such compensation related to the preparation and distribution of this report is not separately determinable.